

Third-quarter financial and California quality reports

STRONG FINANCIAL PERFORMANCE— STABILITY FOR MEMBERS

We're managing costs to contain the rate of price increases for our customers. As a result of early returns from cost-improvement initiatives and a strong performance in investment markets, our third-quarter operating margin is 4.8 percent—right in line with our goal of 4 to 6 percent. This strong financial performance is proof of our stability, and allows us to deliver cost-effective, quality care that ensures long-term benefits for members and customers. Take a quick look at our third-quarter numbers:

- Total operating revenue—\$9.4 billion
- Net income—\$654 million
- Operating income—\$449 million

Unlike our key competitors—whose third-quarter operating margins range from 6.6 to 10.7 percent—we reinvest our earnings into our care delivery model and our community health programs. And we're making watershed investments in the future. We're building infrastructure for the 21st century, upgrading our facilities, and applying robust technology to enhance the productivity and health of our members. Here's a snapshot of some of the efforts in progress.

Building for the 21st century

Current and future members deserve advanced medical and health care technologies. We're investing in our hospitals and medical buildings to provide members with quality care in a safe environment. Our building program will help us meet the needs of our growing membership with 25 major hospital projects over the next eight years.

Enhancing workplace productivity with market-leading tools

Technology such as *My health manager*—our members' personal health record at **kp.org**—helps your clients' employees avoid unnecessary office visits and stay productive at work. With *My health manager*, members gain secure access to portions of their personal health information, including office visit summaries, lab results, and messages from their doctors so they can manage their health anytime, from anywhere. Whether they log on at home or while on a lunch break, easy and convenient features help your clients' employees focus on their job during the workday—keeping them more productive overall. Through *My health manager* at **kp.org**, your clients' employees can:

- E-mail their doctor's office
- View recent test results
- Refill prescriptions
- Schedule routine appointments online
- Participate in online wellness programs
- And more

My health manager is powered by Kaiser Permanente HealthConnect™—our electronic health record—so your clients' employees are linked to their caregivers, pharmacists, and lab technicians. This integration helps support our cost-improvement initiatives while providing members with better care. A California HealthCare Foundation study* shows that:

- Our doctors receive **alerts about potential drug interactions** twice as often as other large providers, and over seven times as often as solo practitioners.
- Patients of **other large practices need tests repeated** twice as frequently as Kaiser Permanente members.
- When they need to see a specialist, **our members see a specialist three times faster** than patients of other large providers.

RANKED HIGHEST IN QUALITY CARE

For yet another year, independent, third-party quality rankings reinforce that our members receive excellent care through our integrated delivery system. Choosing Kaiser Permanente means choosing quality care.

Excellent in clinical care quality

Kaiser Permanente in California earned **Excellent** ratings from the National Committee for Quality Assurance (NCQA), the nation's leading independent reviewer of health plan quality for consumers and employers. "Excellent" is the highest Accreditation status awarded by NCQA. In addition, Kaiser Permanente Northern California and Southern California were awarded NCQA's best possible score—four stars—in every category.

Permanente Medical Groups are "Top Performers"

The Integrated Healthcare Association (IHA) promotes quality improvement, accountability, and affordability for all California health care consumers. For the second year in a row, IHA recognized **both Permanente Medical Groups** in California as "**Top Performers**"—scoring in the top 20 percent statewide in overall performance.

First in environmental awareness

The U.S. Environmental Protection Agency and the Green Electronic Council named us a "**Green Electronics Champion**"—the first and only health care organization the EPA has honored with this award. In September, we became the first health care organization to earn the distinction of "Climate Action Leader™" from the California Climate Action Registry, a rigorous greenhouse gas emissions program.

For more information about our financial results or our approach to quality, please contact your account manager or sales representative. You can also visit **brokers.kp.org**. Click on "Measuring quality" under the "About us" tab.

* "Uncoordinated Care," California HealthCare Foundation, September 2007.